

**California Energy Commission  
Public Benefits Program**

**Comments Received from the Public  
at the**

**Staff Workshop on Administrative Structure**

**October 1, 1999**

**Energy Commission Publication No. P400-99-014**

In support of the mandate contained in Assembly Bill 1105, the California Energy Commission conducted a staff workshop on October 1, 1999, to receive comment from the public on two Staff Discussion Papers (Energy Commission Publication Nos. P-400-008 and P-400-010) issued earlier, on the possible administrative structure for the Public Benefits Program.

Discussion at the staff workshop was organized around the Framework and Options for specific functions of the administrative structure. This information will be used to guide further discussion on this topic at the Efficiency Committee Workshop, to be held October 12, 1999. This publication provides a summary of comments provided by the public at the October 1, 1999, staff workshop.

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## **COMMENTS FROM THE PUBLIC**

### **PUBLIC BENEFITS PROGRAM**

#### **STAFF WORKSHOP ON ADMINISTRATIVE STRUCTURE**

**OCTOBER 1, 1999**

##### **Framework Functions were:**

1. Governance
2. Program Management
3. Implementation/Delivery
4. Program/Market Evaluation
5. Independent Review

##### **Framework Function Questions:**

- 1a. Does this organization of the functions make sense to you?
- 1b. Are all the major functions/activities listed?
- 1c. If not, what would be added?

Mark McNulty – San Diego Gas and Electric

Distinction between program management and implementation. Program managers should be involved at field level.

Information Technology – who handles computers and databases?

Rich Ferguson – Sierra Club

It would be appropriate for “hard” program elements, i.e. those with verifiable load reductions, versus “squishy” program elements, i.e. energy education centers, to have separate organizational structures.

Ray Tuvell – California Energy Commission

Must be explicit about what role the California Public Utilities Commission would play.

Will Nelson—Residential Energy Efficiency Clearing House

California Public Utilities Commission global fiscal oversight as a necessary function.

Independent review may be unnecessary if already fiscal review.

Peter Miller - Natural Resources Defense Council

The effort involved in managing the funding is understated—it is a major effort.

Unclear what “Program Oversight” includes.

Dave Abelson – California Energy Commission

It is difficult to have a “bright line”, i.e. make a clear distinction between oversight and administration.

Bob Burt – Insulation Contractors Association

Utilities maintain databases—they already have the data, so don’t duplicate the effort.

Evaluation is an important function. Must learn from programs that are already running.

Manuel Alvarez – Southern California Edison

Must strive for clear distinction between oversight and administration—utilities can address this.

Lenny Goldberg – Towards Utility Rate Normalization

Must include municipalities/public agencies in structure.

Chris Chouteau – Pacific Gas & Electric

Line separating governance from other functions is clear—less clear between functions below that. Integration of those levels is necessary in successful program (levels 2, 3 & 4).

Program Manager must also be strongly involved in implementation and evaluation functions.

Some of “governance” functions are better as “administration — e.g. Strategic Plan. Line is moved down in this chart from other proposals, thereby including more functions in governance than may be appropriate.

Gary Matteson – University of California Regents Office

What is “Private”? Structure is most efficient if levels 2, 3 and 4 are together.

Mark McNulty – San Diego Gas and Electric

Splitting levels 2, 3 and 4 adds bureaucracy and makes coordination difficult. Utilities and others already working with customers can access market information more quickly and efficiently.

Rich Ferguson – Sierra Club

Allocate majority of funds on “least-cost” basis through competitive solicitation.

Mark McNulty – San Diego Gas and Electric

Bidding pilots demonstrated the difficulty of contracting/managing projects.

Peter Miller – Natural Resources Defense Council

Assuming contracts with administrators defines role—a number of models exist.

Will Nelson – Residential Energy Efficiency Clearing House

Evaluation and review – energy efficiency larger than PIER, wider ranging. Independent review not as valuable. Keep evaluation function separate from program management. Different agency, i.e. California Energy Commission or California Public Utilities Commission should do the evaluation.

Make Office of Rate Payer Advocates role explicit.

Carl Blumstein – University of California

Where is coordination with PIER?

Bob Burt – Insulation Contractors Association

“Oversight” should include legislative liaison.

**Framework: Principles:**

2a. Are all of the major principles (evaluation criteria) listed? If not, what would be added?

2b. Are there principles more important than others? If so, what are they?

Peter Miller – Natural Resources Defense Council

Governance principles should apply all the way through the structure. Effective procurement is very important if contracting for governance structure.

Rich Ferguson – Sierra Club

Governance structure must be credible to Legislature.

Statewide program uniformity must result.

California Public Utilities Commission operates with “Regulatory Compact” which involves administrative burden.

Will Nelson – Residential Energy Efficiency Clearing House

Should be open to new provider types and participants. “Quasi-franchise” opportunities for administration.

Mark McNulty – San Diego Gas and Electric

Programs are about customers – dispute resolution and customer complaint handling.

Allocation of funding among customer classes is an issue.

Lenny Goldberg – Towards Utility Rate Normalization

Address conflict of interest within administrative structure.

Jamie Woods – Econometric Solutions

A mechanism in the administrative structure is needed to “kill” programs if the need arises.

Regional programs.

Pilot programs are advisable in the beginning instead of rolling out full-blown programs.

Bob Burt – Insulation Contractors Association

Keep program out of legislative appropriation process.

Gary Matteson – University of California Regents Office

“Customer Focus” vs. high bill complaint responses.

Carl Blumstein – University of California

Structure is about markets, not customers, as suggested by utilities.

Chris Chouteau – Pacific Gas & Electric

Customer is decision-maker—high bill complaints offer opportunity for information delivery. Must spend money on information.

Gary Matteson – University of California Regents Office

University of California looks at product performance, how it arrives, and cost/benefit. Must evaluate all three aspects.

Mark McNulty – San Diego Gas and Electric

Relative importance of principles. Conflicts between principles, e.g. flexibility vs. inflexibility; continuity vs. conflict of interest.

Rich Ferguson – Sierra Club

Need “Competition” as one of the principles.

Will Nelson – Residential Energy Efficiency Clearing House

Competition to encourage new providers. Tension in continuity and change.

Rich Ferguson – Sierra Club

Let market work statewide. Don’t micromanage. No artificial boundaries.

Gary Matteson – University of California Regents Office

Efficiency in demand and supply of electricity is the goal of the whole program.

Chris Chouteau – Pacific Gas & Electric

Avoid artificial geographic constraints. Climate isn’t artificial.

Broad credibility needed for program managers.

Bob Burt – Insulation Contractors Association

Credibility and fairness important for public support, but unable to identify any one principle that is the most important.

Will Nelson – Residential Energy Efficiency Clearing House

Should facilitate access to capital.

**Framework: Entities:**

3.a. Is this the right list of potential entities to perform the functions?

3.b. Have any potential entities been left out? What are they?

Peter Miller – Natural Resources Defense Council

Governance should extend statewide. Delivery to include public agencies. Public entity definition should include cities, counties, school districts, etc.

Program evaluation is a broad area. Don't exclude utilities.

Lenny Goldberg – Towards Utility Rate Normalization

Statewide vs. local entities. Don't exclude immediately.

Mark McNulty – San Diego Gas and Electric

AB 1105 minimizes role of government and maximizes private sector participation. Can a private firm perform a function? If so, it should not be a state function.

Will Nelson – Residential Energy Efficiency Clearing House

Governance should be shared between California Energy Commission and California Public Utilities Commission.

Evaluation should be either California Energy Commission or California Public Utilities Commission and private sector contractors.

Manuel Alvarez – Southern California Edison

Clarification that this is a post-transition period activity, so more options are open.

**Options: Function 1: Governance**

- a. Should the California Energy Commission be the governance body or should it be some other entity?
- b. If some other entity, What are they?

Will Nelson – Residential Energy Efficiency Clearing House

Exemption from state procurement process is problematic.

No detailed appropriation plan in legislation. Public agency should provide governance but policy development should be a shared responsibility. California Public Utilities Commission should allocate funding on a 2-year cycle; conduct program evaluation annually; and provide a venue for rate level setting. California Energy Commission provides contract management; appoints Public Benefits Director; manage Public Goods Charge program linkages and program implementation. California Public Utilities Commission review board to be maintained.

Bob Burt – Insulation Contractors Association

Legislature should not appoint oversight board.

Legislature is unreliable as a fund trustee.

Continuing appropriation is no guarantee of program success.

It is best if the California Public Utilities Commission maintains responsibility of collecting and appropriating PGC and passing on the entities responsible for delivery.

Peter Miller – Natural Resources Defense Council

If California Energy Commission as governance body requires legislative involvement with funding, the Natural Resources Defense Council would not support California Energy Commission governance.

Rich Ferguson – Sierra Club

Legislature can change PGC rate component.

California Energy Commission should be governance body.

Chris Chouteau – Pacific Gas & Electric

Current system doesn't give Legislature option of redirecting funding.

Bob Burt – Insulation Contractors Association

California Public Utilities Commission created programs. 1890 just made sure they weren't cut back...Legislature not appropriating...Enormous difference from Legislative funding authorizations.

Gary Matteson – University of California Regents Office

California Energy Commission should not necessarily be the governance body, but should definitely be the oversight body. Nonprofits should do the governance.

Peter Miller – Natural Resources Defense Council

Nonprofit: 3 options – different answers.

If Legislature creates the nonprofit and their board, then governance structure using California Energy Commission is not needed; Legislature can do the governance.

Contract with an existing nonprofit.

Will Nelson – Residential Energy Efficiency Clearing House



Legislation must be written carefully regarding California Public Utilities Commission services. California Public Utilities Commission link affects billing services of UDC's. Evolution of those services is important. Linkage to California Public Utilities Commission will be lost if only California Energy Commission takes on governance.

Don't invite Legislature in.

Nonprofits should not administer program. Formation of nonprofit requires 2-3 years to accomplish—no administrative structure would be in place when it is needed.

Rich Ferguson – Sierra Club

Government's role is responsibility for funding. Must be accountable to the Legislature.

Administrator must be a public agency. 4 choices available: Public Utilities Commission, California Energy Commission, Electricity Oversight Board, or a combination of these agencies.

Gary Matteson – University of California Regents Office

If this is to be a marketing enterprise, most experience lies with the private sector because of their connectedness to the marketplace. Regulatory agencies control, rather than develop markets. Nonprofit model fits the best.

Chris Chouteau – Pacific Gas & Electric

Definition of governance affects what entity would be the most appropriate.

Bob Burt – Insulation Contractors Association

Legislature won't give funding to a corporation without having the appropriate level of checks and balances being built in. Favors nonprofit governance.

Gary Matteson – University of California Regents Office

Independent System Operator would be responsive to customers (Dave Abelson response: Independent System Operator is already under a governance structure—Electricity Oversight Board and Federal Energy Regulatory Commission, so they would not be an appropriate agency).

Will Nelson – Residential Energy Efficiency Clearing House

Transition report must have strong, broad-based support to be successful. It will open up PGC funding discussion in the legislature.

**Options: Function 2: Program Management**

- a. Should program management be limited to a single or non-profit, or should it be performed by a combination of entities including a non-profit?
- b. If a combination of entities, do utilities have a role? If so, what is it and why?
- c. If a combination of entities, does the California Energy Commission have a role? ? If so, what is it and why?

Mark Reedy – Global Energy Partners

Why governance by nonprofit? Why not a for-profit company? AB 1105 requirements.

Mark McNulty – San Diego Gas and Electric

Nonprofit program management model doesn't fit well. There are no established rules or evidence of successful track record. Contracts would be very different from current system. (Dave Abelson response: discuss macro contracts) You would only get what you contracted for. How get contractors to work together?

Be clear in report that contracts are used, and how they are used.

Demand Site Management (DSM) bidding contract pilots are tedious to prepare. Firms are interested in doing only what is absolutely necessary and tend to look out only for their self interests. (Sy Goldstone response: must trust contractors)

Proposal looks like Demand Site Management (DSM) bidding. Never evaluated program. Program managers familiar with it. Are California Energy Commission programs also included? (S. Matthews/M. Sloss response: there are various funding sources, but can connect)

State procurement process is cumbersome and inflexible.

Jamie Woods – Econometric Solution

Contracting for program management would be difficult and program managers would need to provide very detailed program plans.

Bob Burt – Insulation Contractors Association

Hard to write contracts which show any imagination. Small contracts would be okay, but one large contract would have problems.

Mark McNulty – San Diego Gas and Electric

Contracting for Demand Site Management (DSM) (bidding) is tedious and lengthy and would not be a good model to apply here.

Utilities would be a great conduit (for funding) because of regulatory approach. Some problems in model, but flexibility is good.

Will Nelson – Residential Energy Efficiency Clearing House

Don't try to circumvent state procurement rules.

“Quasi-Franchise” contract awards: California Energy Commission awards providers franchises (criteria assess bidders) on a geographical region basis. More in urban areas than rural areas. Captation payments. Require a minimum number of measures to be installed. California Energy Commission may terminate at any time. Like regulatory compact, but without the California Public Utilities Commission strictures.

Chris Chouteau – Pacific Gas & Electric

There are problems inherent with any contracting system.

The greater the number of entities involved, the closer the program managers get pushed up to the governance level. Fewer entities are easier to manage.

Gary Matteson – University of California Regents Office

Right answer is a single nonprofit entity.

Will Nelson – Residential Energy Efficiency Clearing House

Nonprofit organizations may have roles. \$25M-\$30M funding level would be appropriate for them. Size would present a problem—an organization would take a minimum of about 50 people to successfully administer program. Long startup time for a nonprofit is an issue. Nonprofits would be well suited for public information programs and software trustee activities.

### **Options: Function 3: Implementation/Delivery**

a. Do utilities have a role in Implementation/Delivery? If so, what and why?

Bob Burt – Insulation Contractors Association

Utilities would serve as a bridge until such time that nonprofits take over administration.

Read a couple of Board RFP's to see complexity of contracting process.

Utilities have regulatory framework around them and have ability to contract.

Gary Matteson – University of California Regents Office

Utilities should not be sole entity. Include them for tasks that are well suited for them. Same with energy service providers.

Carl Blumstein – University of California

Not clear if Utility Distribution Companies will or should be in the energy supply business. If so, there are perverse incentives to retain customers.

Craig Tyler – Southern California Gas

No perverse incentives for core customers (noncore customers not involved).

Conflicts for electric UDC's are related to rate design.

Most costs are sunk.

Jay Goth – Commonwealth

Utility Distribution Companies shouldn't be precluded. Provide a level playing field for all involved. Everyone should have an opportunity.

Bob Burt – Insulation Contractors Association

Utilities aren't going to like losing revenue.

Will Nelson – Residential Energy Efficiency Clearing House

Utilities will have a role. Programs impact reliability, billing.

Utilities should not be allowed to apply for Quasi Franchise status where they could again begin to dominate the market.

A good role for utilities would be that of third-party review/inspection work.

Carl Blumstein – University of California

Existing infrastructure established by utilities, although not without their problems, should not be casually discarded.

Important to have a structure which allows (new) participants into the market.

Jay Goth – Commonwealth

An independent, unbiased evaluator should be included in the administrative structure.

**Options: Function 4: Program Evaluation**

a. Should this function be performed by an entity separate from the management/implementation entities? If so, why?

Bob Burt – Insulation Contractors Association

Who watches the watchers? There could be unconscious self-dealing. Need a separate entity.

Will Nelson – Residential Energy Efficiency Clearing House

Need a “bright line”. The program evaluation function should be clearly separate, especially at first. Need feedback mechanism to program managers.

Jamie – Econometric Solution

Evaluator should not have any financial interest, nor should they be connected with implementation.

Jay Goth – Commonwealth

Need separate entity. Renewable “Green E” as example.

Carl Blumstein – University of California

Multiple evaluation roles—program management, contractors.

Need internal and external evaluation—get job done, but don’t get paralyzed by it.

Gary Matteson – University of California Regents Office

Some tasks may be most efficiently done by management level, so “bright line” or “firewalls” may not be appropriate. But favors separate entity.

Bob Burt – Insulation Contractors Association

Although current process has significant funding, it would be too costly to evaluate every single program every year. Incentive process vis-à-vis California Public Utilities Commission could apply. Favors separate entity.

Sy Goldstone – California Energy Commission

Favors softer/collegial (sic) evaluation with market transformation format.

Will Nelson – Residential Energy Efficiency Clearing House

Evaluation is valuable. Will pay for itself. Need separate entity, not contacting for evaluator. The more “marketized” the services, the less formal the need for evaluation.

Craig Tyler – Southern California Gas

Question should be more properly stated “How can programs be run in the most cost-effective way possible?”

Formal evaluation would be too costly.

Chris Chouteau – Pacific Gas & Electric

Wrong issue? The biggest problem is getting program managers and evaluators to talk together. Hard to get evaluation out of program managers and implementers.

Jamie Wood – Econometric Solution

Critical to have evaluation and to keep it distinctly separate from other functions.

Will Nelson – Residential Energy Efficiency Clearing House

How would evaluators get information? Important to get good information to them.

**Options: Function 5: Independent Review**

- a. Should there be an independent review of the program?
- b. If so, how often?
- c. If so, should the fiscal and programmatic review be conducted by separate entities?

Jamie Woods – Econometric Solution

Where should independent review panel come from. Important who is chosen

Bob Burt – Insulation Contractors Association

Don’t duplicate evaluation effort—use as much existing fiscal and program evaluation data as possible.

Carl Blumstein – University of California

Need something independent between agency and Legislature. Audit as part of grand scheme--invites bean-counting. Leave as day-to-day, or smaller-scale, regular activity. Do need program independent review. (S. Matthews comment: with nonprofits, there can be financial problems, so there is need for an audit function)

Will Nelson – Residential Energy Efficiency Clearing House

Build in cost for verification. Better to have shared powers arrangement. There are a number of ways to deal with abuse, but creating a “GAO” type of government audit organization would create contention and adds to the bureaucracy.

Gary Matteson – University of California Regents Office

This is an enterprise to create new environment in California. Should have independent review. It is an accountability issue.

Carl Blumstein – University of California

Review period should be every 3-5 years.

Bob Burt – Insulation Contractors Association

If sunset language is included, the Legislative Analyst will review it.

A small, independent review panel, vis-à-vis “Inspector General” would be desirable.